

Message Text

CONFIDENTIAL

PAGE 01 LUSAKA 03982 301308Z

ACTION EB-08

INFO OCT-01 AF-10 ISO-00 INT-05 CIAE-00 INR-07 NSAE-00

AID-05 STR-05 /041 W

-----039819 310620Z /14

R 301243Z DEC 77

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 7331

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY GABORONE

AMEMBASSY MAPUTO

AMEMBASSY PRETORIA

C O N F I D E N T I A L LUSAKA 3982

E.O. 11652: GDS

TAGS: EMIN ELTN ZA

SUBJ: SMELTING OPERATIONS HALTED AT BROKEN HILL

1. SMELTING OPERATIONS AT THE KABWE MINING COMPLEX OF BROKEN HILL HAVE BEEN SHUT DOWN FOR APPROXIMATELY ONE WEEK AND ARE NOT EXPECTED TO BE RESUMED FOR AT LEAST TWO MORE WEEKS. THE HALT WAS FORCED BY A LACK OF COKE DUE TO TRANSPORT DIFFICULTIES IN BRINGING A SHIPMENT PURCHASED FROM WEST GERMANY TO ZAMBIA FROM DAR ES SALAAM.

2. IN THE PAST ZAMBIA HAD OBTAINED MOST OF ITS COKE REQUIREMENTS FROM RHODESIA, BUT THE POLITICAL DECISION WAS MADE TO TERMINATE THAT SOURCE. PURCHASES FROM EUROPEAN SUPPLIERS, HOWEVER, HAVE RUN INTO TWO PROBLEMS-- TRANSPORT AND FOREIGN EXCHANGE. REGARDING THE LATTER, SENIOR MINING OFFICIALS SAY THAT THEY HAVE HAD GREAT DIFFICULTY IN OBTAINING FOREIGN EXCHANGE AUTHORIZATION TO OBTAIN THE COKE NECESSARY FOR SMELTING OPERATIONS. THESE OFFICIALS CONTEND THAT THE ONLY PRACTICAL SOURCE OF COKE IS FROM RHODESIA AND THAT GOVERNMENT OFFICIALS HAVE YET TO FACE THIS REALITY.

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PAGE 02 LUSAKA 03982 301308Z

3. PRESIDENT KAUNDA ALLEGEDLY INTERRUPTED HIS CHRISTMAS HOLIDAY WHEN INFORMED OF THE BROKEN HILL SHUTDOWN IN ORDER TO DEAL PERSONALLY WITH A PROBLEM WHICH WOULD HAVE SERIOUS REPERCUSSIONS FOR THE ZAMBIAN ECONOMY. AS OF DECEMBER 30 HE HAD NOT AS YET GRAPPLED WITH BROKEN HILL.

4. COMMENT: THE BROKEN HILL SHUTDOWN BRINGS INTO SHARP FOCUS THE TWO MAJOR PROBLEMS CONFRONTING ZAMBIA'S FRAGILE ECONOMY: (1) DEPRESSED FOREIGN EXCHANGE EARNINGS WHICH MAKE SHORTAGES OF VITAL IMPORTS INEVITABLE, AND (2) OVERDEPENDENCE ON ONE SUPPLY ROUTE WHICH LEADS TO BOTTLE NECKS AND IMMEDIATE REPERCUSSIONS ON INDUSTRIES WHERE CRITICALLY NEEDED IMPORTS ARE CHRONICALLY IN SHORT SUPPLY. THESE TWO FACTORS HAVE DEVEILED ALL SECTORS OF THE ZAMBIAN ECONOMY FOR THE LAST TWO YEARS AND, AS THIS LATEST DRAMATIC EXAMPLE INDICATES, WILL CONTINUE TO DO SO. CLINGERMAN

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Sent Date: 30-Dec-1977 12:00:00 am
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